

Your business  
is our business.

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WC 18-331

Accepted / Filed

NOV -5 2018

Federal Communications Commission  
Office of the Secretary

**VIA HAND DELIVERY**

October 26, 2018

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Attention: Wireline Competition Bureau

**Re: Interstate Telecommunications Cooperative, Inc. Petition for Waiver of  
Sections 51.909(a), 51.917(b)(1) and 51.917(b)(7) of the Commission's Rules**

Dear Ms. Dortch:

On behalf of Interstate Telecommunications Cooperative, Inc., please find enclosed the  
Petition for Waiver of Sections 51.909(a), 51.917(b)(1) and 51.917(b)(7) of the  
Commission's Rules to modify access rate bands and charges and 2011 Base Period  
Revenue in connection with merger of affiliated study areas in South Dakota.

Inquiries may be directed to the undersigned consultant for Interstate Telecommunications  
Cooperative, Inc.

Sincerely,

John Kuykendall  
Vice President  
[jkuykendall@jsitel.com](mailto:jkuykendall@jsitel.com)

Enclosures

Echelon Building II, Suite 200  
9430 Research Blvd., Austin, TX 78759  
phone: 512-338-0473, fax: 512-346-0822

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1380 Corporate Center Curve, Eagan, MN 55121  
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October 26, 2018

**By Hand Delivery**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Washington, DC 20554

**Re: Request for Confidentiality  
Interstate Telecommunications Cooperative, Inc. Petition for Waiver of  
Sections 51.909(a), 51.917(b)(1) and 51.917(b)(7) of the Commission's Rules**

Dear Ms. Dortch:

JSI, on behalf of its client, Interstate Telecommunications Cooperative, Inc. ("Company"), hereby requests, pursuant to Section 0.459 of the Commission's rules,<sup>1</sup> withholding from public inspection of the above referenced document. The Company provides the following in support of its request, numbered consistent with the subparagraphs of Section 0.459(b).<sup>2</sup>

1. The information for which the Company is seeking confidential treatment is projected Connect America Fund-Intercarrier Compensation support information contained in the Petition for Waiver and switched access revenue, cost, demand, access line and eligible recovery details contained in Exhibits A and B of the Petition.
2. The Company is submitting the Petition for Waiver in order to implement the planned merger of two commonly-owned study areas. The Petition for Waiver is required to ensure compliance with FCC rules governing modification of access rate bands and charges and 2011 Base Period Revenue.<sup>3</sup>
3. The switched access revenue, cost, demand, access line and eligible recovery details in the Petition for Waiver for which the Company seeks the withholding from public inspection is confidential and proprietary financial data.
4. With respect to identifying the degree to which the Company's financial information concerns a service that is subject to competition, this type of

<sup>1</sup> 47 C.F.R. § 0.459.

<sup>2</sup> 47 C.F.R. § 0.459(b)(1) through (9).

<sup>3</sup> 47 C.F.R. § 51.909(a), § 51.917(b)(1) and (b)(7)

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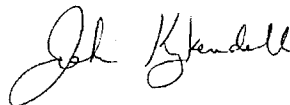
*Telecommunications Advisors Since 1962*

information is highly sensitive and its public disclosure would place the Company at a competitive disadvantage in the telecommunications marketplace.

5. With respect to identifying possible exposure to competitive harm, this information is provided on a study area-specific basis and could have economic value to potential competitors as it may provide competitors insight into the Company's market strategies and gain competitive advantage.
6. With respect to steps the Company has taken to ensure against unauthorized disclosure of its financial information, this information is maintained confidentially by the Company and is not available through any source other than the Company or its authorized agents.
7. The Company's financial information is not available to the public and has not been previously disclosed.
8. The Company requests the financial information be treated as confidential indefinitely. Because of the sensitive nature of the data, it would not be appropriate for public disclosure at any time in the foreseeable future.
9. The Commission has previously found that this type of information warrants protection under Protective Order for annual access tariff filings in which similar financial data is provided.<sup>4</sup>

Based on the preceding, JSI respectfully requests on behalf of the Company that the Commission grant confidential treatment under Section 0.459 to the financial data contained in the Company's Petition for Waiver and Exhibits. The Petition for Waiver is appropriately marked "Confidential-Not for Public Disclosure". Please contact the undersigned with any questions regarding this request.

Sincerely,



John Kuykendall  
Vice President  
301-459-7590  
[jkuykendall@jsitel.com](mailto:jkuykendall@jsitel.com)

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<sup>4</sup> See *Announcing Procedures for Obtaining Confidential Information for 2018 Annual Access Charge Tariff Filings and Corrections to TRP Spreadsheets*, WC Docket No. 18-100, Public Notice DA 18-578 rel. June 4, 2018.

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of )  
 )  
Interstate Telecommunications Cooperative, Inc. )  
 )  
Petition for Waiver of Sections 51.909(a), )  
51.917(b)(1) and 51.917(b)(7) of the Commission's )  
Rules to modify access rate bands and charges, )  
and 2011 Base Period Revenue in connection with )  
merger of affiliated study areas in South Dakota. )

**PETITION FOR WAIVER  
OF PART 51 ACCESS CHARGE AND CONNECT AMERICA FUND-  
INTERCARRIER COMPENSATION CALCULATIONS**

Pursuant to Section 1.3 of the rules of the Federal Communications Commission ("FCC" or "Commission"),<sup>1</sup> Interstate Telecommunications Cooperative, Inc., ("Interstate" or the "Cooperative") hereby requests a waiver of the Commission's Section 51.909(a) rules<sup>2</sup> to recalculate the rate bands and charges for local switching, tandem switching and dedicated transport services for two commonly-owned study areas in the same state—Study Area Code 391654 ("ITC SAC") and Study Area Code 391679 ("ITC fka Stockholm-Strandburg SAC").<sup>3</sup> Interstate also seeks waiver of Sections 51.917(b)(1) and 51.917(b)(7) of the rules to recalculate for the same combined study areas the 2011 Interstate Switched Access Revenue Requirement and 2011 Rate-of-Return Carrier Base Period Revenue necessary to determine Connect America Fund-Intercarrier

<sup>1</sup> 47 C.F.R. § 1.3.

<sup>2</sup> 47 C.F.R. § 51.909(a).

<sup>3</sup> Interstate purchased Stockholm-Strandburg Telephone Company ("Stockholm-Strandburg") in 2006. The corporate entity Stockholm-Strandburg was then merged into Interstate; however, the study areas remained separate. As explained herein, subsequent to grant of this waiver petition, Interstate will merge the two study areas pursuant to FCC precedent which allows commonly-owned study areas within a state to merge.

Compensation (“CAF-ICC”) support.<sup>4</sup> The Cooperative estimates zero impact to switched access revenue, resulting in no change to CAF-ICC support. Grant of this waiver will allow Interstate to merge the ITC fka Stockholm-Strandburg SAC into the ITC SAC which it plans to do on January 1, 2019 adding the efficiencies of administering a single cost study and other regulatory compliance for a single study area. Accordingly, grant of this petition will advance the public interest.

## **I. INTRODUCTION AND SUMMARY**

Interstate is a rate-of-return cost incumbent local exchange carrier (“ILEC”) whose ILEC service territory in South Dakota is comprised of two study areas – ITC SAC and ITC fka Stockholm-Strandburg SAC. The ITC SAC serves rural eastern South Dakota, and operates approximately 9,600 voice access lines and 1,400 Consumer Broadband-Only Loop (“CBOL”) access lines in 25 South Dakota exchanges. The ITC fka Stockholm-Strandburg SAC is comprised of the rural Reville, South Shore and Stockholm serving areas and operates approximately 430 voice access lines and 80 CBOL access lines in the foregoing three South Dakota exchanges.

Stockholm-Strandburg was acquired by Interstate as a wholly-owned subsidiary corporation in February 2006, was subsequently merged into the surviving Interstate entity in January 2013, and has operated under a single corporate cooperative structure since that time. However, the ITC fka Stockholm-Strandburg SAC and ITC SAC have remained as separate study areas. Both study areas are administered as cost companies receiving legacy support. To allow Interstate the efficiency of managing switched access

<sup>4</sup> 47 C.F.R. § 51.917(b)(1) and (b)(7).

and CAF-ICC compliance for a single study area, the Cooperative plans to merge the ITC fka Stockholm-Strandburg SAC into the ITC SAC effective January 1, 2019.<sup>5</sup> However, as explained below, grant of this petition is required in order for the merger to occur.

As shown below, ITC fka Stockholm-Strandburg SAC and ITC SAC are in differing rate bands for switched access local transport services in the National Exchange Carrier Association ("NECA") Tariff F.C.C. No. 5. Accordingly, Cooperative seeks waiver of Section 51.909(a) of FCC rules in order to establish consolidated rate bands and access rates for the merged study area.

	<b>Local Switching</b>	<b>Local Transport</b>	<b>Tandem Switched Transport</b>
<b>ITC fka Stockholm-Strandburg SAC 391679</b>	Rate Band 3	Rate Band 5 (no demand)	Rate Band 2
<b>ITC SAC 391654</b>	Rate Band 3	Rate Band 8 (no demand)	Rate Band 2

In addition, the Cooperative seeks waiver of Section 51.917(b)(1) to combine the 2011 Interstate Access Switched Access Revenue Requirements for the combined study areas into a consolidated 2011 Interstate Access Switched Access Revenue Requirement, and waiver of Section 51.917(b)(7) to combine the 2011 Rate-of-Return Base Period Revenues for the combined study areas into a single 2011 Rate-of-Return Base Period Revenue amount for the merged study area.

<sup>5</sup> Subsequent to grant of the requested waiver, Cooperative will file with the FCC Wireline Competition Bureau a letter notification of the planned merger of commonly-owned study areas within the state of South Dakota pursuant to FCC precedent.

## II. WAIVER STANDARD

In general, the FCC's rules may be waived for good cause shown.<sup>6</sup> Waiver is appropriate where the "particular facts would make strict compliance inconsistent with the public interest."<sup>7</sup> The FCC may grant a waiver of its rules where the requested relief would not undermine the policy objective of the rule in question, special circumstances warrant a deviation from the general rule, and such deviation will serve the public interest.<sup>8</sup>

## III. WAIVER IS JUSTIFIED

### A. Merger of ITC fka Stockholm- Strandburg SAC and ITC SAC is in the Public Interest

The planned merger of ITC fka Stockholm-Strandburg SAC and ITC SAC is consistent with Commission policy encouraging consolidation of commonly owned study areas in the same state.<sup>9</sup> Further, Commission precedent supports grant of petitions seeking waiver of Sections 51.909(a), 51.917(b)(1) and 51.917(b)(7) in the context of merging commonly-owned study areas within a state.<sup>10</sup> Based upon this policy and

<sup>6</sup> 47 C.F.R. § 1.3.

<sup>7</sup> See *AT&T Wireless Services, Inc. et al. v. Federal Communications Commission*, No. 00-1304 (D.C. Cir. 2001), citing *Northeast Cellular Tel. Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990) ("Northeast Cellular").

<sup>8</sup> See generally, *WAIT Radio v. FCC*, 418 F.2d 1153 (D.C. Cir. 1969), cert. denied, 409 U.S. 1027 (1972); see also *Northeast Cellular* (D.C. Cir. 1990).

<sup>9</sup> See *In the Matter of American Samoa Government and the American Samoa Telecommunications Authority Petition for Waivers and Declaratory Rulings to Enable American Samoa to Participate in the Universal Service High Cost Support Program and the National Exchange Carrier Association Pools and Tariffs*, CC Docket No. 96-45, AAD/USB File No. 98-41, Order DA 99-1131, rel. June 9, 1999, para. 10.

<sup>10</sup> See *In the Matter of Connect America Fund, WC Docket No. 10-90, Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Petition of Butler-Bremer Mutual Telephone Company, Inc. for a Waiver of Sections 51.909(a), 51.917(b)(1), and 51.917(b)(7) of the Commission's Rules to modify access rate bands and charges, and 2011 Switched Access Revenue in connection with merger of affiliated Study areas in Iowa*, WC Docket No. 15-118, *Petition of Panora Communications Cooperative and Prairie Telephone Company, Inc. for Waiver of Sections 51.909(a), 51.917(b)(1), 51.917(b)(2), and 51.917(b)(7) of the Commission's Rules to modify access rate bands and charges, and 2011 Switched Access Revenue*

precedent, the public interest indeed would be served with expeditious grant of this petition, especially given the fact, as explained further below, that the company expects zero impact to switched access revenue, resulting in no change to CAF-ICC support.

Additionally, the public interest is served by the increased administrative and operational efficiencies gained by consolidating these study areas. Grant of the requested waiver prior to the planned January 1, 2019 study area merger will allow Interstate to fully realize the benefits of its existing single-entity operations by adding the efficiencies of administering a single cost study and other regulatory compliance for a single study area.

**B. Zero Impact of Switched Access Rate Band Consolidation**

As indicated at Exhibit A, The ITC fka Stockholm-Strandburg SAC and ITC SAC share the same rate bands for Local Switching and Tandem Switched Transport. The rate band changes for this consolidation are limited to assignment of the Local Transport rate band. Interstate does not currently have any direct trunks, and did not have any in 2011 when revenue requirements were frozen. Therefore, the difference in rate bands for Local Transport will have no impact on carrier billing or CAF ICC support. Waiver of Section 51.909(a) would not be required but for the differing Local Transport rate bands for which there is no demand, and which ultimately amount to zero impact.

**C. Recalculation of 2011 Interstate Switched Access Revenue Requirement and Base Period Revenue Will Not Adversely Impact CAF-ICC**

Exhibit B provides a summary of the expected CAF-ICC support as calculated by NECA, and reflects combined data for the ITC fka Stockholm-Strandburg SAC and ITC



SAC. Access Recovery Charges will remain unchanged and therefore will have no impact on CAF-ICC or on end users. As described above, the company expects zero impact to switched access revenue, resulting in no change to CAF-ICC support. NECA projections indicate that the combined entity would receive [REDACTED] of CAF-ICC support, absent any changes to switched access rates, and as such, this change represents no impact on CAF-ICC for the test period.

#### IV. Conclusion

As demonstrated herein, "good cause" exists for grant of this waiver. The zero impact to carrier billing and CAF ICC support combined with the operational efficiencies of managing switched access and CAF ICC compliance for a single, consolidated study area provide the Commission with a clear path to grant the requested waiver. The Cooperative respectfully requests the Commission act expeditiously to grant waiver of Section 51.909(a), 51.917(b)(1) and 51.917((b)(7) of the rules in order that the ITC fka Stockholm-Strandburg SAC and ITC SAC merger may be implemented January 1, 2019.

Respectfully Submitted,



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By: Bryan Roth, General Manager and CEO  
Interstate Telecommunications Cooperative, Inc.  
312 4th Street, West  
P.O. Box 920  
Clear Lake, SD 57226-0920

October 26, 2018

**Rate Band Placement****Local Switching**

sar_id	sar_abbr	TP 201112 LSRRQ	LS Cost per Minute	TP 201112 LS Band	TP 201112 Forecasted Minutes
391654	INTERSTATE TELECOMM.			3	
391679	INTERSTATE-SST			3	
Merged Company				3	

Test Period 201112 (interstate frozen baseline) is from July 1, 2011 through June 30, 2012.

All Local Switching RRQ, Forecasted Minutes and Rate Band placements are from NECA's 2011 Annual Filing.

**Tandem Switching**

sar_id	sar_abbr	TP 201112 RRQ	TP 201112 Revenue	Retention Ratio	TP 201112 Band Placement
391654	INTERSTATE TELECOMM.			0.34321	2
391679	INTERSTATE-SST			2.75287	2
Merged Company				0.46344	2

All Tandem Switching RRQ, Revenue and Rate Band placements are from NECA's 2011 Annual Filing.

**Dedicated Transport**

sar_id	sar_abbr	RRQ	Revenue	Retention Ratio	Band Placement
391654	INTERSTATE TELECOMM.			0.70790	8
391679	INTERSTATE-SST			0.44500	5
Merged Company				0.67990	7

Dedicated transport rate band is the same as the Special Access rate band for the test period July 1, 2011 through June 30, 2012.

All Dedicated Transport RRQ, Revenue and Rate Band placements are from NECA's 2011 Annual Filing.

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EXHIBIT B

Test Period 2018/2019 (Data are based on input provided by company in the CAF ICC Data Collection)

Interstate

sarid	RRQ	CurrentEORate	ProposedEORate	CurrentCompositeRate	ProjectedMin	ProCurrentRev	TermLSMin	TermRevCurrent	TermRevProj	ProjectedRev	AllocatedRev	InterER
391654		\$0.003567	\$0.002133	\$0.067249								
391679		\$0.003567	\$0.002133	\$0.064142								
Merged Company		\$0.003567	\$0.002133	\$0.067105								

Intrastate

sarid	YR1ActualRev	RRQ	TPForecastedMin	TPExpRev	TPIntrastateER
391654					
391679					
Merged Company					

CMRS

sarid	YR1_NetRecipCompRev	TP_NetExpRecipCompRev	RRQ	CMRS_ER
391654				
391679				
Merged Company				

Non\_CMRS

sarid	YR1_NetRecipCompRev	TP_NetExpRecipCompRev	RRQ	CMRS_ER
391654				
391679				
Merged Company				

Exogenous Costs (not available for Average Schedule Company)

sarid	TRS_Increment	Reg_Fees_Increment	NANPA_Increment	Total
391654				
391679				
Merged Company				

ARC Rate and Revenue

sarid	Res Lines	SLB Lines	MLB Lines	Res_ARC Rev	SLB_ARC Rev	MLB_ARC Rev	Total ARC Rev	RESARCRate	SLBARCRate	MLBARCRate
391654								\$0.00	\$3.00	\$3.00
391679								\$0.00	\$3.00	\$3.00
Merged Company								\$0.00	\$3.00	\$3.00

Net Impact of True-Up, Pre and Post ER and CAFICC

sarid	ER_pretrueup	RESARC_pretrueup	SLBARC_pretrueup	MLBARC_pretrueup	TotalARC_pretrueup	CAFICC_pretrueup	Net Impact_True Up	ER	RESARC	SLBARC	MLBARC	TotalARC Rev	CAFICC
391654													
391679													
Merged Company													

Revised CAF ICC Support Reduced by Imputed ARC Revenues on Broadband-only Lines

sarid	CAFICC	Broadband-only Lines	Limited Imputed ARC Revenues	Revised CAF ICC Support
391654				
391679				
Merged Company				